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IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF NEW MEXICO

IN RE:

PLATINUM OIL PROPERTIES,

Debtor.

No. 09-10832 m11

BE IT REMEMBERED that this matter came on for
a Meeting of Creditors before LEONARD MARTINEZ-METZGAR,
Trustee/Coordinator on April 16, 2009, in Albuquerque,
New Mexico.

A P P E A R A N C E S

For the Debtor:

Roger Jones, Esq.
Jennie Deden Behles, Esq.

For Creditor:

Joi Thomas, Esq.

For JAYCO:

Nancy Cusack, Esq.

Joe Jameson Court Reporters

201 Third Street NW, Suite 1180 Albuquerque, New Mexico 87102

(505) 242-2809 or 1-800-532-2809

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3 THE TRUSTEE: We're on record now in the
4 case of Platinum Oil Properties, Case No. 09-10832-m11.

5 My name is Leonard Martinez-Metzgar, and I'm with the
6 U.S. Trustee's Office. Today's date is April the 16th,
7 and it's approximately 2:09 in the afternoon. The
8 petition in this particular Chapter 11 was filed on
9 March the 2nd, 2009. It's been continued a couple of
10 times, and that's why we have it set for today. Notice
11 of this meeting has been mailed.

12 Appearng on behalf of the debtor is Mr. Roger
13 Jones and also Jennie Behles, who is local counsel.
14 Both have filed employment applications, and they're
15 waiting on orders of employment.

16 I've sent around a sign-up sheet for people
17 who wanted to get notice, should we have to send notice
18 out again on this thing and get everybody together
19 again. I doubt seriously if that's going to happen, but
20 let me just read the names of the people who are here.
21 There's George Laredo, Sr.; George Tetro from BIA;
22 Daryl Paiz from the Jicarilla Apache Nation; Raymond
23 Lucero, Jicarilla Revenue and Tax; Sharon Paiz,
24 Jicarilla Revenue and Tax; Kurt Sandoval, Jicarilla Oil
25 and Gas Administration; Steve McCue from Holland &

1 Knight; Joi Thomas, also from Holland & Knight; Joseph
2 Sanchez from J.S. Trucking, Inc.; Paul Barnes from Elm
3 Ridge Exploration; Nancy Cusack from JAYCO.

4 And also appearing on behalf of the debtor is
5 Dave Lionetti, who is going to be testifying on behalf
6 of the debtor this afternoon.

9 DAVE LIONETTI

10 having been duly sworn, testified as follows:

11 EXAMINATION

12 BY THE TRUSTEE:

13 Q In general, just tell me what is Platinum Oil
14 Properties, LLC?

15 A Platinum Oil Properties, LLC, is an entity
16 that holds the operating rights to operate on two
17 leases, oil and gas leases known as the 71 lease and the
18 363 lease, which are located on the Jicarilla Apache
19 Reservation

20 Q And does Platinum Oil Properties at this time
21 have any operations?

22 A No

23 Q And other than the lease, the two leases, does
24 Platinum Oil Properties have any other assets?

25 A It has a bank account and approximately

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1 \$24,000 in the account.

2 Q Is that a debtor in possession bank account?

3 A It --

4 MR. JONES: We are waiting for approval
5 from your office. We spoke to them about that
6 yesterday, and they need to check whether Vector Bank --
7 your office is checking whether Vector Bank will be
8 approved or whether we have to move that account.

9 Q (By The Trustee) Between March 2nd of '09
10 and today, has there been money going in and out of
11 that bank account?

12 A Up till today? Today there was -- \$10,000 was
13 used to pay a retainer, Jennie's firm.

14 Q Okay.

15 A And there was a bank fee. I think the bank
16 took a fee.

17 Q Is that the only disbursement that's been made
18 out of that account --

19 A Yes, sir.

20 Q -- since the filing?

21 A Yes, sir.

22 THE TRUSTEE: And, Mr. Jones, when did
23 you say that new debtor in possession bank account would
24 be open? Do you have any idea?

25 MR. JONES: No, this account, the Vector

1 Bank account, we would treat that as a debtor in
2 possession account if your office is comfortable with
3 Vector Bank being the bank.

4 MS. BEHLES: But the question was,
5 Ms. Lombard yesterday asked us to inquire of you whether
6 you knew whether or not Vector Bank in Colorado was on
7 the list of recognized depositories so that we could
8 make that, keep that, whatever the word is, the DIP
9 account. That was a new account opened for this entity
10 for this case. And she had some question because she
11 only had a New Mexico list.

12 THE TRUSTEE: Yeah.

13 MS. BEHLES: Whether that was an approved
14 depository. It certainly has FDIC insurance and we
15 don't have money in it over the level, so I'm not too
16 worried about it, but --

17 THE TRUSTEE: Yeah.

18 MS. BEHLES: -- she thought you had some
19 way to check that, it being a Colorado bank. I have no
20 idea if you do or not, but there you go.

21 THE WITNESS: I believe Vector is also
22 owned by a more significant bank above it, but I don't
23 know who.

24 MS. BEHLES: Yeah.

25 MR. JONES: There have been no other

1 monies in that account and no other disbursements from
2 that account.

3 THE TRUSTEE: Okay. I guess that's the
4 important thing now. But technically, I guess, we need
5 to somehow, whether it be this bank or one that is
6 approved, we've got to get that set up pretty quickly,
7 okay?

8 MR. JONES: Right. And if you approve
9 Vector, we'll immediately do that.

10 THE TRUSTEE: All right. We may need to
11 call up to --

12 MS. BEHLES: I was going to say, you
13 know, we can check with the UST's office in Denver.

14 THE TRUSTEE: Yeah.

15 MS. BEHLES: Do you just want me to do
16 that and get a copy of their list?

17 THE TRUSTEE: Yeah, or even we can get
18 Michelle to do that.

19 MS. BEHLES: Well, we can pass it around,
20 I guess.

21 THE TRUSTEE: Yeah.

22 Q (By The Trustee) Mr. Lionetti, tell me --
23 I know there's a history behind these leases and
24 some of the assignments. Can you go through that
25 from the time that the -- I guess they're referred

1 to as JAR, the Jicarilla Apache Reservation, first
2 leased the oil wells to the Golden Oil Company?

3 A I probably can't take you back that far. I
4 can take you back to the Golden bankruptcy; and in the
5 Golden bankruptcy, as part of a resolution to that
6 bankruptcy, the operating rights under those leases were
7 assigned to Platinum Oil, and those were approved by all
8 the parties concerned.

9 Q And it was approved by the Bankruptcy Court in
10 Texas?

11 A Yes, in Houston. I think it was out of
12 Houston. And also the Jicarilla --

13 MR. JONES: Also the Secretary of
14 Interior --

15 A Yeah, Secretary of Interior.

16 MR. JONES: -- signed off on that in
17 connection with the bankruptcy.

18 A And there were no objections to it by the
19 Jicarilla Apache Nation either.

20 Q (By The Trustee) Okay.

21 A So the operating rights, if you will, sat
22 within Platinum.

23 Q All right.

24 A Later on -- I want to say it was 2005 or 2006,
25 I think it was 2006 -- Platinum struck a deal with an

1 entity called Star Acquisitions 7 and assigned their
2 rights to the leases to Start Acquisitions 7. Those --

3 Q Let me ask you about that.

4 A Sure.

5 Q When that assignment happened, under the lease
6 agreement, was there any requirement that the Bankruptcy
7 Court approve that?

8 A My understanding of the legalities are that
9 the Department of Interior and the Jicarilla Nation
10 would have had to approve of that assignment.

11 Q And did they?

12 A No, not to my knowledge.

13 Q Okay.

14 A Or I've been told that they did not; let me
15 put it that way.

16 MR. JONES: The Golden Oil bankruptcy
17 case had -- their plan was confirmed in late 2004, early
18 2005, those leases were assigned to Platinum. So that
19 bankruptcy case was, in effect, over.

20 THE TRUSTEE: It had a final decree and
21 it closed?

22 MR. JONES: That's right, at the time of
23 the assignment from Platinum to Star Acquisition 7.

24 THE TRUSTEE: It was closed at that time?

25 MR. JONES: I don't know if the final

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1 decree had been entered, but the confirmation order, I
2 believe, was in late 2004.

3 THE TRUSTEE: Okay. As far as you know,
4 Mr. Jones, did the Bankruptcy Court in Houston have any
5 authority to approve or disapprove the assignment of the
6 leases from Platinum to Star Acquisition?

7 MR. JONES: It did not.

8 THE TRUSTEE: Okay.

9 MR. JONES: No authority or jurisdiction.

10 THE TRUSTEE: All right.

11 MR. JONES: The approval -- the Secretary
12 of Interior approval was required. The Jicarilla Apache
13 Nation takes the position that their approval was
14 required. We would dispute that, but the Secretary of
15 Interior approval was, indeed, required; and it was not
16 obtained.

17 THE TRUSTEE: All right. And those --
18 the requirement of the Secretary of Interior to approve
19 it was part of the assignment or part of the original
20 lease or what?

21 MR. JONES: It's by statute.

22 THE TRUSTEE: Okay.

23 MR. JONES: The lease is between -- the
24 lease is with the Jicarilla, but the Secretary of
25 Interior has certain authority with respect to those

1 leases and there is a statutory and a regulatory
2 requirement for approval of the assignment of those
3 leases.

4 THE TRUSTEE: Okay.

5 Q (By The Trustee) What happened after the
6 assignment to Star Acquisition, Mr. Lionetti?

7 A Madison Capital Company, which is located in
8 Denver, entered into a -- essentially a banking or
9 financing arrangement with Star Acquisition 7, and they
10 were providing capital or did provide capital that was
11 to be used for acquisition of these interests from
12 Platinum and to develop the field, putting Cap X and
13 those kinds of things. For that, Madison received an
14 overriding royalty interest in the fields and it also
15 received the right to increase its interest and if there
16 were certain defaults under the agreement [inaudible]
17 phrased as defaults, but certain triggers, that it could
18 take over operations from Star.

1 It's designee at the time was Sagebrush Holdings. And
2 so the assets and interests were transferred into
3 Sagebrush.

4 Q Now, why did this happen?

5 A Because -- a number of reasons, but suffice it
6 to say that Star and its -- Tom Stover, who was the -- I
7 don't know if he's the managing member, but he was
8 certainly the kingpin behind it, did not hit production
9 targets; they took capital expenditure monies and spent
10 it personally, personal things; there were other
11 defaults under the agreement that allowed us
12 contractually to take over operations of the field and
13 to increase our interest from 60 percent to 100 percent.

14 Q When you say "our," who are you talking about?

15 A Madison -- at the time, it was Madison Cap.

16 MS. BEHLES: And there was a suit,
17 Mr. Martinez-Metzgar, whereby they filed suit and the
18 court entered a decree that said this is how it would
19 come out of there.

20 MR. JONES: There was a document evidence
21 in the financing that Madison provided that provided
22 upon certain events, either Star had to purchase
23 Madison's interest or Madison had the right to receive
24 all of Star's interest. Madison's litigation was to
25 specifically enforce that obligation on the part of Star

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1 to convey those assets. The Court granted us summary
2 judgment on specific performance, ordered Star 7 to
3 convey those assets to Madison or its designee. That
4 order was entered on June 3, 2008. It was treated as a
5 final order; and on June 10, 2008, Star Acquisition 7
6 conveyed whatever rights it had to Sagebrush.

7 THE TRUSTEE: And that was pursuant to
8 this order?

9 MR. JONES: It was pursuant to the order
10 granting specific performance, directing Star 7 to make
11 that conveyance, yes.

12 THE TRUSTEE: Okay. Now, all this that
13 happened in the court, was the Department of Interior
14 involved in that?

15 MR. JONES: Not at all.

16 THE TRUSTEE: Did they have to be, or
17 should they have been?

18 MR. JONES: Should they have been a
19 party? Not required to be a party, but --

20 THE TRUSTEE: Should they have been --

21 MR. JONES: -- but their assignments do
22 -- the assignments do require their approval, which we
23 do not have.

24 THE TRUSTEE: Okay. So the extent of
25 their involvement should just be with regard to the

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1 approval of any assignments?

2 MR. JONES: That is their -- that is
3 their involvement.

4 THE TRUSTEE: Okay.

5 MR. JONES: The background, Madison
6 discovered the fields were in horrible condition, sought
7 the injunctive relief in the La Plata County District
8 Court on an expedited basis to take control of the
9 wells. The same -- a lot of the issues that Madison had
10 with the operation are also the issues that the
11 Jicarilla Apache Nation had in closing those wells
12 around the same time. So we act -- Madison acted as
13 quickly as possible to get control of the wells, then
14 sought to -- approval from the Jicarilla Apache Nation,
15 tried to reach a resolution as a predicate to seeking
16 Secretary of Interior approval, but was never able to
17 reach any agreement with the Jicarilla to recognize the
18 assignments from Platinum to Star, and in turn, from
19 Star to Sagebrush.

20 Q (By The Trustee) So why did y'all file
21 bankruptcy if you need the Jicarilla Nation to
22 approve these assignments?

23 A Well, because --

24 Q I mean, is it -- are you going to try to get
25 their approval through Bankruptcy Court?

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1 A We're not --

2 MR. JONES: We're not asking the approval
3 of the assignments.

4 A Yeah.

5 MR. JONES: The assignments have not been
6 approved, and so these leases sit in Platinum, the
7 debtor. The purpose of the filing is to assume those
8 leases and cure the defaults under those leases.

9 MS. BEHLES: And to deal with other debts
10 to the extent that they need to be dealt with. There's
11 lien claims and other things arising from the operations
12 of Star 7 which have attached to these wells, or
13 claimedly have attached to these wells.

14 THE TRUSTEE: Yeah, the mechanic's liens.

15 MS. BEHLES: Yeah.

16 MR. JONES: That's correct.

17 THE TRUSTEE: Yeah.

18 Q (By The Trustee) Mr. Lionetti, let me ask
19 you this. Let's assume that a bankruptcy judge in
20 New Mexico allows the debtor to assume these leases.
21 What's the next step?

22 A We obviously pay any cure costs that would be
23 associated with that order.

24 Q Where are you going to get the money to do
25 that?

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1 A Right now we have a proposed -- we filed a
2 motion for a DIP facility be provided by Sagebrush to
3 Platinum. And then we would move to obviously cure the
4 cure costs -- or pay the cure costs on the leases. And
5 then our plan is to get the fields opened up, restarted,
6 reworked and produce oil and gas. Pay royalties to the
7 Tribe and taxes to both the Tribe and the authorities
8 that are due.

9 THE TRUSTEE: Mr. Jones, back to you,
10 assuming the judge approves the assumption of lease, at
11 this time is it your position that in order for the
12 judge to do that, you're going to have to get approval
13 from DOI or the Jicarilla Apache Reservation in addition
14 -- I mean, before the judge can do --

15 MR. JONES: Well, let me take those one
16 at a time. With respect to the Jicarilla, they are in
17 effect the lessor, no different from any other lessor.
18 We filed our motion to assume, they objected to it, we
19 say there are no defaults, they say there are some. So
20 that's no different than any other 365 motion that you
21 would deal with.

22 We are not seeking to assign these leases to
23 another party. If we were, then the Secretary of
24 Interior would have a role to play; but we are not
25 seeking to assign the leases. We're only seeking to

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1 assume.

2 I believe if you look at the objection filed
3 by the Jicarilla, they acknowledge that we are not
4 seeking to assign the leases, and the Department of
5 Interior approval would only be required only if we
6 were.

7 THE TRUSTEE: Okay.

8 MR. JONES: And we are not.

9 THE TRUSTEE: So, in other words, that
10 assignment from Platinum Oil, LLC, to Star 7 is void?
11 Is that what you're saying, that it never happened or
12 it's --

13 MR. JONES: In the absence of Secretary
14 of Interior approval, the laws are quite clear and has
15 been for a long time, that those assignments are void.

16 THE TRUSTEE: Okay. Let me --

17 MS. BEHLES: It's probably important to
18 point out that those operations, though, that did occur
19 when those were being operated by Star 7 were permitted
20 operations, were they not?

21 MR. JONES: They were.

22 MS. BEHLES: Yeah.

23 MR. JONES: The Jicarilla Apache Nation
24 did permit operations, even though the assignments
25 hadn't been approved. They can prove an operator

1 without approving the transfer of the lease itself.

2 THE TRUSTEE: Uh-huh.

3 MR. JONES: They did approve Star 7 as an
4 operator, and so at least -- and Platinum was approved
5 [inaudible] Star 7. Because Platinum was the record
6 holder lessee under the leases, Platinum and Star
7 operate on a pass-through basis because Platinum is
8 still holding the leases. There has been no approval of
9 them signed.

10 THE TRUSTEE: According to the Statement
11 of Financial Affairs, it says Sagebrush holdings is the
12 100 percent membership -- or has 100 percent membership
13 interest. Is that true?

14 MR. JONES: That is true. If you would
15 like some history there, I'm happy to provide it.

16 THE TRUSTEE: Yes. Yes.

17 MR. JONES: The Golden Oil bankruptcy
18 case was a case that sought to resolve in many ways
19 dispute ownership claims going back many, many years, to
20 these leases. And the way it did that under a plan was
21 that it said that this group -- and it was referred to
22 in the plan as the "MLG Group" -- these were sort of the
23 group of claimants claiming an interest in these
24 properties. And as part of the plan and under a
25 settlement that was enforced pursuant to the plan, that

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1 the leases would be transferred to this entity called
2 Platinum Oil, which the MLG Group formed.

3 At the time of the transfer from Platinum to
4 Star 7, those owners were still the owners of Platinum,
5 that original MLG Group. There were about 30 different
6 interest holders in Platinum Oil.

7 Sagebrush, again, negotiations with the owners
8 of Platinum late last year after it could no longer --
9 after it had reached an impasse with the Jicarilla
10 Apache Nation, it acquire all those ownership interests
11 in Platinum.

12 THE TRUSTEE: Sagebrush did?

13 MR. JONES: Yes. That's why it's today a
14 hundred percent owner of Platinum.

15 THE TRUSTEE: Okay. So the MLG Group is
16 kind of out of the picture now?

17 MR. JONES: They are.

18 THE TRUSTEE: Well, tell me who's Mr.
19 Pfizer and how -- and Mr. Domenici and Lotspeesh, how
20 are they connected?

21 MR. JONES: They were -- they're not
22 connected now, but your questions go back for two years,
23 so they were connected before Sagebrush acquired their
24 ownership interest in Platinum.

25 THE TRUSTEE: Were they part of this MLG

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1 Group?

2 MR. JONES: They were.

3 THE TRUSTEE: Okay.

4 MR. JONES: They were the largest part of
5 the MLG Group.

6 THE TRUSTEE: All right. I'm going to
7 stop there, just so we have enough time for people to
8 ask questions. Mr. McCue or Ms. Thomas, do you want to
9 start?

10 MS. THOMAS: I just had --

11 THE TRUSTEE: Come on up so we can get
12 you --

13 MS. BEHLES: So we can hear.

14 THE TRUSTEE: That air conditioner drowns
15 everybody's voice out.

16 EXAMINATION

17 BY MS. THOMAS:

18 Q Just a couple of clarifications, questions
19 just so I can make sure I have my notes right; and I
20 won't take that much time.

21 So just to be clear, when we're -- when U.S.
22 Trustee asked what was the purpose of filing the
23 Chapter 11 case, it was to be able to assume the lease
24 because according to your client starting back from
25 Golden, you -- Platinum still holds operating rights,

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1 correct?

2 MR. JONES: And according to your client
3 having not recognized any of the assignments
4 [inaudible].

5 MS. THOMAS: Okay.

6 MR. JONES: That's correct.

7 MS. THOMAS: And on top of that, you're
8 saying it's also to deal with other debt as well?

9 MR. JONES: That's correct. There are
10 approximately \$600,000, as I recall, give or take, of
11 mechanic's and materialman's liens that have been filed
12 against the property.

13 MS. THOMAS: Uh-huh. And by going --
14 using Chapter 11 to assume the leases, you're able to do
15 so -- are you able to do so without going in Chapter 11?

16 MR. JONES: Are we able to --

17 THE TRUSTEE: Are you able to assume --
18 are you able to act upon the leases now without going to
19 Chapter 11?

20 MR. JONES: I apologize, but I don't
21 understand the question about --

22 MS. THOMAS: Is Platinum today, without
23 filing a Chapter 11, are they able to act upon the
24 leases?

25 MR. JONES: Perform on the leases?

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1 MS. THOMAS: Perform on the leases, I'm
2 sorry.

3 MR. JONES: Well, when you say, "Without
4 filing Chapter 11, are we able to perform on the
5 leases," we're certainly -- Platinum is certainly able
6 to perform on the leases if the Jicarilla Apache Nation
7 would permit it to do so. The reason for the filing of
8 the Chapter 11 is that the Jicarilla Apache Nation will
9 not permit us to -- permit Platinum to perform under the
10 leases. So that's the purpose of the filing is to be
11 permitted to operate. As you know, Platinum has filed
12 for an operating permit, has attempted to determine what
13 defaults the Jicarilla allege exist under the leases,
14 but we have not gotten that information. So the purpose
15 of the filing is to assume the leases, to determine
16 those defaults and operate.

17 MS. THOMAS: Okay. And going back to
18 another point that you made previously about having Star
19 gain a permit from the Nation in order to operate,
20 correct?

21 MR. JONES: We did not --

22 THE TRUSTEE: That's why I just wanted to
23 clarify.

24 MR. JONES: Star obtained --

25 MS. BEHLES: Star --

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1 MR. JONES: Start obtained a permit to
2 operate from the Nation?

3 A Star -- yeah.

4 MS. THOMAS: Okay.

5 A That permit -- Star's permit expired November
6 of 2007, if I recall correctly.

7 MS. THOMAS: Okay.

8 A And the field was shut in in October of 2007.

9 MS. THOMAS: And as far as after the
10 assumption, if the Court were to allow the assumption to
11 go forward, financially who would be responsible for
12 supplying Platinum with funds in order to operate the
13 wells and bring them up to par, to function?

14 MR. JONES: We have -- as you know, we
15 have filed an application to approve \$950,000 of good
16 financing. That \$950,000 is intended to permit Platinum
17 to pay cure costs, to plan the Chapter 11 plan to
18 reorganization and address to the extent their valid,
19 the M and M liens against the property, address those
20 things and plan.

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1 We are operating at somewhat of a deficit in
2 terms of [inaudible] tell you exactly what our plan
3 would be for recommencing operations of the wells
4 because they have been closed now since October -- late
5 October of 2007. As you know, we've requested from the
6 Jicarilla Apache Nation a right to inspect the wells so
7 we can put together a plan and a budget for recommencing
8 operations; but we can't do that without an inspection
9 of the wells because it's been -- we don't know the
10 condition of the wells, we don't know which ones we can
11 bring back online first, second, all of that.

12 A Or what it would take to bring that well or
13 wells back online.

14 MR. JONES: If we had access to the
15 wells, we could do that. We could tell you a plan in
16 about --

17 MS. THOMAS: I just have one more last
18 question, just to understand the structure here. So
19 going back from Golden, Madison was at the top as far as
20 the line; but now we're dealing with Sagebrush. And in
21 the structure, is Madison still at all in the picture as
22 far as the corporate structure?

23 MR. JONES: Madison -- Madison Capital
24 has an ownership interest in two entities that own 100
25 percent of Sagebrush, which in turn owns 100 percent of

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1 Platinum.

2 MS. THOMAS: Okay.

3 MR. JONES: Your office asked me to get
4 you the names of those intervening entities. I will do
5 that. I do not have those with me, but we will provide
6 that. I'm happy to provide that.

7 MS. THOMAS: Okay. That's it. Thank you
8 very much.

9 THE TRUSTEE: Nancy, do you have any
10 questions?

11 EXAMINATION

12 BY MS. CUSACK:

13 Q Just a couple of questions. Just so that I'm
14 clear, is Sagebrush the 100 percent -- who has 100
15 percent membership interest in Platinum, are they
16 providing them the DIP financing?

17 MR. JONES: That's correct.

18 MS. CUSACK: Okay. Thank you. The other
19 thing is, it's your position, then, that Platinum has
20 remained as lessee of these leases and that they then
21 assigned the operating rights to Star --

22 MR. JONES: No.

23 MS. CUSACK: I'm sorry. Could you
24 explain to me what that --

25 MR. JONES: No. Our position is that

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1 these rights under the leases have remained in Platinum
2 because the Secretary of Interior has never approved an
3 assignment any farther downstream.

4 MS. CUSACK: Is that none of the rights?

5 MR. JONES: That's correct.

6 MS. CUSACK: Including the operating
7 rights?

8 MR. JONES: They are the operating
9 rights.

10 MS. CUSACK: Okay. And that's -- okay.

11 A Platinum holds the operating rights.

12 MS. BEHLES: Just Star 7 was granted an
13 operating permit by the Jicarilla.

14 MR. JONES: But no assignment of any of
15 the rights under the leases was ever approved.

16 MS. CUSACK: Okay. Thank you.

17 THE TRUSTEE: Anybody else have any
18 questions? I've got a couple more.

19 THE WITNESS: Sure.

20 FURTHER EXAMINATION

21 BY THE TRUSTEE:

22 Q When you talk about curing defaults with this
23 DIP financing, what does that mean? What defaults are
24 you talking about?

25 MR. JONES: We don't know. And the fact

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1 is, we don't know. If you look at the response filed by
2 the Jicarilla Apache Nation to our motion to assume, all
3 they say is that at some point in time Star 7 indicated
4 it owed some past-due royalties, so we think those are
5 probably owed.

6 THE TRUSTEE: To whom?

7 MR. JONES: To the Jicarilla Apache
8 Nation.

9 THE TRUSTEE: Okay.

10 MR. JONES: But they provided no
11 information or detail or what periods were involved or
12 any of that. And there is reference to breach of
13 environmental obligations under those leases, but not
14 defined. There's no more information in the response
15 than that. We don't know what the defaults are. Again,
16 it's a motion to assume, and we're asking the Court to
17 determine what the defaults are and permit us to cure
18 those, if there are defaults.

19 A And we did take an independent analysis on our
20 own to try and --

21 Q (By The Trustee) Environmental analysis?

22 A No, a royalty and tax analysis, just to try
23 and see if we could -- we couldn't find any.

24 THE TRUSTEE: Has Platinum Oil ever
25 operated these oil wells?

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1 MR. JONES: Yes, prior to the time that

2 Star was --

3 THE TRUSTEE: Involved?

4 MR. JONES: It's a period of time from
5 the Golden Oil confirmation to the Star --

6 A Star was the operator for them. I mean, Tom
7 Stover was --

8 MR. JONES: Tom Stover worked for them.

9 A -- worked for them as the operator on those
10 wells.

11 MR. JONES: Right.

12 Q (By The Trustee) Okay. And were any
13 royalties paid to the Jicarilla Apache Reservation
14 during the time that Star was operating for
15 Platinum?

16 MR. JONES: Yes.

17 A Yes.

18 MR. JONES: Yes. Our analysis indicates
19 that all the royalties due under the leases were paid,
20 but we have a dispute with the Jicarilla with respect to
21 that, at least I think.

22 Q (By The Trustee) And when did operations
23 completely shut down?

24 A It was towards the end of October of 2007.

25 Q So it's coming up on two years?

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1 A Correct.

2 Q And these mechanic's liens that are listed in
3 Schedule D, what do they have a secured claim against?

4 MR. JONES: Their assertion is that they
5 have a secured claim against the leases themselves, the
6 interest in the -- that it's an interest in real estate
7 in which they have a claim against.

8 A These are results of debts of Star
9 Acquisitions, not of us.

10 MS. BEHLES: And the assertion letter
11 would be that the oil and gas at least constitutes real
12 property in the liens and therefore filed against.

13 THE TRUSTEE: Okay. And the reason
14 you've filed a motion to set a bar date is so that these
15 mechanic's liens can file claims against this estate if
16 you want to; then you object to them and say they belong
17 in Star?

18 MR. JONES: The -- no.

19 THE TRUSTEE: Okay.

20 MR. JONES: The bar date is unrelated to
21 the mechanic's and materialman's liens. We know what
22 those are.

23 THE TRUSTEE: Okay.

24 MR. JONES: We -- they've been filed,
25 they're of record, we know what they are we listed them,

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1 we have copies of them. So it's not that. It is we
2 would like to move toward a confirmation as quickly as
3 possible, and we would want to make sure there aren't
4 any claims out there that we're not aware of. That's
5 really the -- we think we know what all the claims are.

6 THE TRUSTEE: Okay.

7 MR. JONES: But we want to be sure. But
8 we're -- it's not to deal with the M and M claims. The
9 M and M claims, to the extent that they have valid liens
10 against the property, we have to deal with those. And
11 so that's not why we asked for --

12 THE TRUSTEE: Okay.

13 MS. BEHLES: Even though they're not a
14 personal liability of the debtor, if they're a valid
15 claim against the lease, then they have to be dealt
16 with.

17 THE TRUSTEE: Yeah.

18 MR. JONES: And they would be converted
19 into recourse under 11-11, and so we would have to deal
20 with those and we understand that.

23 MR. JONES: 950.

24 A 950.

25 THE TRUSTEE: 950? Do you have a budget

1 attached to the motion for what you want to spend that
2 on?

3 MR. JONES: We don't.

4 THE TRUSTEE: Where did you come up with
5 950?

6 MR. JONES: Well, we are -- if you think
7 about the claims that we have to address in the
8 bankruptcy case, we have to address the claims of the
9 Jicarilla, if we're permitted to assume the leases and
10 we have to address the claims of the mechanic's and
11 materialman's lienholders and we have to pay
12 administrative expenses. We picked a high number. Our
13 purpose was to try to show that we have the capacity to
14 assume the leases and we have the capacity to operate
15 and we have the capacity to deal with any valid liens
16 that we have to deal with, because that's one of the
17 objections is that Platinum does not have the capacity
18 to do that and we made enough -- tried to get enough
19 financing to show that we can do all of those things.

20 THE TRUSTEE: Okay.

21 MR. JONES: We would like to have a
22 budget; and, again, we can't tell you what that budget
23 would be unless we can inspect those fields. If we
24 could inspect those fields, we could put together a
25 budget for recommencing operations and we could tell you

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1 what that money is going to be spent on other than just
2 dealing with claims.

3 Now, we hope that we're going to have some
4 progress with the Jicarilla to conduct that inspection,
5 and we'd be -- we'd love to put that budget together.

6 We just don't have the ability, having not seen the
7 wells in, as you said, coming up on two years. If we
8 can get that inspection done -- and we're going to be
9 asking the Court to permit us to do the inspection, if
10 the Jicarilla do not permit it, so we can do just what
11 you said.

12 THE TRUSTEE: Well, if you're able to do
13 the inspection -- let's -- do you need the assumption of
14 the leases before you can do the inspection?

15 UNIDENTIFIED SPEAKER: No.

16 MR. JONES: No.

17 THE TRUSTEE: No? Okay.

18 MR. JONES: No -- and we need to do that.
19 We need to do that in advance. Obviously we know
20 something about these wells and we think we know or we
21 have some guesses about the investment it will take to
22 get these back up and running; but until we get out
23 there and see the wells, we're not 100 percent sure.

24 THE TRUSTEE: Okay.

25 MR. JONES: So we're going to try to get

1 that done before a hearing on the motion to assume so
2 that we will have for you and for the Court a plan as to
3 how we're going to operate those wells.

4 THE TRUSTEE: Okay. And what I'm trying
5 to figure out is what -- number one -- and I think you
6 answered this. The reason you picked 950,000, a couple
7 of reasons, is, one, to show that you can accumulate
8 that kind of money if you have to; and also to -- is it
9 just going to be stored in the DIP account until --

10 MR. JONES: It wouldn't be -- it wouldn't
11 be drawn unless it's needed. It's made available to it.
12 If you think about the claims so far that I've seen
13 asserted, I've seen \$600,000 in M and M claims; I've
14 seen \$122,000 from the Jicarilla in their pleading.
15 That's the only number I've ever seen.

16 THE TRUSTEE: Okay.

17 MR. JONES: That's \$722,000. I've got
18 some costs in restarting the wells that I know about,
19 and I've got administrative expenses. So you can sort
20 of see how I came up with the number.

21 MS. BEHLES: But if you look at the loan
22 agreement, it's not a single advance note. It's a draw
23 --

24 MR. JONES: No, it's a line of credit.

25 MS. BEHLES: -- line. It's a line.

1 MR. JONES: It wouldn't be drawn.

2 MS. BEHLES: So it wouldn't be drawn, so
3 interest wouldn't accrue on it, it would not sit in the
4 DIP account. It would simply be available to be drawn
5 upon as required.

11 MR. JONES: Yes.

12 THE WITNESS: Yes.

13 THE TRUSTEE: It is? So that's got to be
14 resolved before you do the plan?

15 MS. BEHLES: Or as a part of the plan.

16 MR. JONES: Or as part of the plan. But,
17 yes, it does.

18 MS. BEHLES: You know, assumption can be
19 dealt with that way.

20 MR. JONES: It is dependent. It's
21 dependent for everyone. It's dependent for lienholders,
22 as well. If there are not valid interest in these
23 properties, those liens may attach to air. So it's not
24 only --

25 A It affects all involved.

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1 MR. JONES: -- critical to Platinum, it's
2 also critical to the lienholders, as well.

3 THE TRUSTEE: Okay. I don't have any
4 other questions of the debtor. Yes, go ahead, Mr. --

5 UNIDENTIFIED SPEAKER: I just wanted to
6 make sure I understood your question. Were you asking
7 about the DIP financing, or were you asking about the
8 plan? I just wanted to make sure I -- when you said,
9 "the judge has to approve the assignment before," and I
10 wasn't quite sure if I heard you say, you know, the plan
11 or the DIP financing.

12 THE TRUSTEE: I think I said --

13 MR. JONES: You said, "the plan."

14 MS. BEHLES: You said, "the plan."

15 THE TRUSTEE: Yeah, I think I said does
16 -- "the plan."

17 UNIDENTIFIED SPEAKER: Okay. That's what

18 I --

19 MS. BEHLES: And actually you should have
20 meant the plan.

21 MR. JONES: That is correct.

22 THE TRUSTEE: Yeah, right.

23 UNIDENTIFIED SPEAKER: I just wanted to
24 make sure.

25 THE TRUSTEE: All right. So we'll go

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1 ahead and conclude the meeting if nobody else has any
2 other questions. Good luck to you and the debtor,
3 Mr. Lionetti.

4 THE WITNESS: Thank you, sir.

5 MR. JONES: Thank you.

6 (End of recording.)

7

8

9

10 I certify that the foregoing is a correct
11 transcript from the record of proceedings in the
12 above-entitled matter.

13

14

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16 New Mexico CCR #67

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